

Rep. Lofgren Applauds Committee for Holding Hearing on Cell Phone Tax Bill

Lofgren Bill Would Block New Tax Increases on Cell Phone Service

Washington, D.C. – Today, Rep. Zoe Lofgren (D-CA) today hailed the Judiciary Committee's Subcommittee on Commercial and Administrative Law for holding a hearing on H.R. 5793, the Cell Tax Fairness Act of 2008, which she introduced earlier this year. Rep. Lofgren's opening statement in support of the bill is below:

I decided to introduce the Cell Tax Fairness Act because I see wireless service and mobile devices playing an essential role in the future of affordable broadband access to the Internet.

The Federal Communications Commission has estimated that in 2007, 68 percent of all new broadband subscriptions were wireless subscriptions. That number takes on added significance when you consider that the United States has slipped to the point where we rank 16th in broadband penetration among industrial nations.

With the spectrum freed up by the FCC's 700 Megahertz auction, wireless holds tremendous progress as a means to narrow the broadband gap between the US and other countries and as a means to give low consumers affordable access to the Internet.

This is good news not just for the phone companies and their customers, but also for innovators in other fields. Spend a few minutes with an iPhone and you'll see just how far wireless innovation has progressed in a relatively short period of time.

People increasingly rely on wireless technology for basic voice service. That reliance makes the demand for wireless service quite inelastic: even when the price goes up, people will continue to pay a lot more before looking for alternatives. This fact makes wireless service a very attractive target for taxation. In fact, consumers pay more than twice as much in taxes for their cell phone service as they do for other goods and services.

The average wireless consumer pays 15.2% in combined federal, state, and local taxes, compared to only 7.1% for other goods and services. That tax burden is significant when one considers that more than 39 million American wireless subscribers earn less than \$25,000 a year.

I want to stress that this effect on consumers is significant and shouldn't be overlooked. I know that some opponents of the bill characterize it as a hand-out to the telecommunications industry. I find that charge somewhat ironic. If you consult my record on issues such as net neutrality, open access, and spectrum policy, you'll see that I'm not in the business of doing favors for the industry.

But taxes do impact the way that consumers adopt and use technology. And that impact is most pronounced among lower income consumers. That concern is hugely relevant in this discussion.

As someone who served as a county supervisor for 13 years, I understand the plight that state and local governments are in. When counties and municipalities are bracing for an economic downturn, it is to be expected that they will turn to targets like wireless service, just as they have with internet service in the past.

But the resulting tax burden is simply not justifiable. Accordingly, for the same reasons that the Internet Tax Moratorium is essential to growth and innovation on the internet, the Cell Tax Fairness Act is essential to growth and innovation in mobile wireless technology and service.

When it comes to innovative technologies and industries, it is crucial that consumers and businesses base their choices on the technology itself, rather than on regulatory and tax burdens. That is as true for wireless subscribers as it is for internet subscribers and that is why the Cell Tax Fairness Act just makes sense.

And it is important to note that HR 5793 will not affect any taxes on wireless service that are currently in place. Nor will HR 5793 prevent state and local governments from enacting non-discriminatory measures that have the effect of raising taxes on wireless service.

The bill applies only to discriminatory taxes on wireless service that are imposed after the date of enactment of the bill. The goal is not to carve wireless service out from future tax increases, but to ensure that the burden of any such increases does not fall disproportionately on wireless service and wireless consumers.

It is also important to note that the moratorium is temporary. There has been a lot of interest from both governmental entities and industry in reforming the way that we tax telecommunications services. It is my hope that the parties will take advantage of the moratorium to accomplish meaningful reform in that area.

Finally, I want to mention that this legislation has overwhelming support both in Congress, where it has garnered 130 cosponsors, and in the private sector. I request unanimous consent to place in the record letters of support from the US Chamber of Commerce, the National Association of Neighborhoods, and the Black Chamber of Commerce.

I would also like to thank Mr. Cannon and his staff for all of their hard work in securing and expanding bipartisan support for this legislation.

Congresswoman Zoe Lofgren is serving her seventh term in Congress representing most of the City of San Jose and Santa Clara County. She serves as Chair of the House Judiciary Subcommittee on Immigration, Citizenship, Refugees, Border Security, and International Law. She also Chairs the House Administration Subcommittee on Elections and serves on the House Homeland Security Committee. Congresswoman Lofgren is Chair of the California Democratic Congressional Delegation consisting of 34 Democratic members of the U.S. House of Representatives from California.